



an e-on company

Jeff DeRouen, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40601

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OCT 29 2010

PUBLIC SERVICE  
COMMISSION

October 29, 2010

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
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Robert M. Conroy  
Director - Rates  
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***Re: Gas Supply Clause - Case No. 2010-00387  
and  
Request of Louisville Gas and Electric Company for Modification  
and Extension of Its Gas Supply Cost Performance Based  
Ratemaking Mechanism – Case No. 2009-00550***

Dear Mr. DeRouen:

Pursuant to ordering paragraph (2) of the Commission's Order dated October 26, 2010, in Case No. 2010-00387, filed herewith are an original and four copies of the following sheets of LG&E Tariff P.S.C. Gas No. 8, reflecting the Gas Supply Cost Component established in such Order.

**New Revision**

**Superseding**

First Revision of Original Sheet No. 1  
First Revision of Original Sheet No. 5  
First Revision of Original Sheet No. 7  
First Revision of Original Sheet No. 10  
First Revision of Original Sheet No. 15  
First Revision of Original Sheet No. 20.1  
First Revision of Original Sheet No. 30.3  
First Revision of Original Sheet No. 35.1  
First Revision of Original Sheet No. 50  
First Revision of Original Sheet No. 85

Original Sheet No. 1  
Original Sheet No. 5  
Original Sheet No. 7  
Original Sheet No. 10  
Original Sheet No. 15  
Original Sheet No. 20.1  
Original Sheet No. 30.3  
Original Sheet No. 35.1  
Original Sheet No. 50  
Original Sheet No. 85

Jeff DeRouen, Executive Director  
Public Service Commission of Kentucky  
October 29, 2010

In addition, LG&E is also filing at this time an original and four copies of the following revised gas tariff sheets:

**New Revision**

First Revision of Original Sheet No. 87.1  
First Revision of Original Sheet No. 87.2  
First Revision of Original Sheet No. 87.3  
First Revision of Original Sheet No. 87.4  
First Revision of Original Sheet No. 87.5  
First Revision of Original Sheet No. 87.6  
First Revision of Original Sheet No. 87.7  
First Revision of Original Sheet No. 87.8

**Superseding**

Original Sheet No. 87.1  
Original Sheet No. 87.2  
Original Sheet No. 87.3  
Original Sheet No. 87.4  
Original Sheet No. 87.5  
Original Sheet No. 87.6  
Original Sheet No. 87.7  
Original Sheet No. 87.8

In Case No. 2009-00550, the above listed tariff sheets were originally filed as LG&E Tariff P.S.C. Gas No. 7, First Revision of Sheets No. 87.1 through 87.8, and were approved by the Commission's Order of April 30, 2010, to become effective November 1, 2010. As a result of Case No. 2009-00549, LG&E's current gas tariff, which became effective August 1, 2010, is now designated as P.S.C. Gas No. 8. Therefore, the sheets listed above are now being refiled as P.S.C. Gas No. 8, First Revision of Sheets No. 87.1 through 87.8. All other text on these sheets remains unchanged from that originally filed and approved in Case No. 2009-00550.

Please contact me if you have any questions concerning this filing.

Sincerely,



Robert M. Conroy

Enclosures

# Louisville Gas and Electric Company

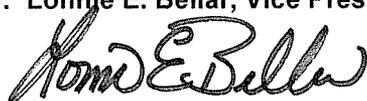
P.S.C. Gas No. 8, First Revision of Original Sheet No. 1  
 Canceling P.S.C. Gas No. 8, Original Sheet No. 1

<b>GENERAL INDEX</b>			
<b>Standard Gas Rate Schedules – Terms and Conditions</b>			
<u>Title</u>	<u>Sheet Number</u>	<u>Effective Date</u>	
General Index	1	11-01-10	T
<b>SECTION 1 – Standard Rate Schedules</b>			
RGS Residential Gas Service	5	11-01-10	T
VFD Volunteer Fire Department Service	7	11-01-10	T
CGS Firm Commercial Gas Service	10	11-01-10	T
IGS Firm Industrial Gas Service	15	11-01-10	T
AAGS As-Available Gas Service	20	11-01-10	T
FT Firm Transportation Service (Non-Standby)	30	11-01-10	T
DGGS Distributed Generation Gas Service	35	11-01-10	T
Special Charges	45	08-01-10	
Returned Payment Charge			
Meter Test Charge			
Disconnect/Reconnect Service Charge			
Inspection Charge			
Charge for Temporary and Short Term Service			
<b>SECTION 2 – Riders to Standard Rate Schedules</b>			
TS Gas Transportation Service/Standby	50	11-01-10	T
GMPS Gas Meter Pulse Service	52	08-01-10	
PS-TS Pooling Service - Rate TS	60	08-01-10	
PS-FT Pooling Service - Rate FT	61	08-01-10	
EF Excess Facilities	62	08-01-10	
<b>SECTION 3 – Adjustment Clauses</b>			
GSC Gas Supply Clause	85	11-01-10	T
DSM Demand-Side Management Cost Recovery Mechanism	86	08-01-10	
PBR Performance-Based Ratemaking Mechanism	87	11-01-10	T
WNA Weather Normalization Adjustment - WNA	88	09-27-00	
FF Franchise Fee and Local Tax	90	02-06-09	
ST School Tax	91	08-01-10	
HEA Home Energy Assistance Program	92	02-06-09	

Date of Issue: October 29, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued by Authority of Orders of the KPSC in Case No. 2009-00550 dated April 30, 2010 and Case No. 2010-00387 dated October 26, 2010

# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 5  
Canceling P.S.C. Gas No. 8, Original Sheet No. 5

**Standard Rate**

**RGS**

**Residential Gas Service**

## APPLICABLE

In all territory served.

## AVAILABILITY OF SERVICE

Applicable to firm natural gas sales service to residential customers for all domestic purposes in private residences, single occupancy apartments, and common-use areas of multi-purpose occupancy buildings when supplied at a single point of delivery and where distribution mains are adjacent to the premises to be served. Such customers also include tenants billed for natural gas consumption or use by other tenants at the same premises that are metered separately.

The term "residential" customers shall include customers using gas in a single-family residential dwelling or unit for space-heating, air conditioning, cooking, water-heating, incineration, refrigeration, laundry drying, lighting, incidental heating, or other domestic purposes, including the use of gas in standby electric generation in domestic applications. If an additional separate point of delivery is requested by a residential customer to provide gas for use in standby electric generation ninety (90) days or more after the effective date of Rate DGGS, customer shall be served under Standard Rate DGGS.

## RATE

Basic Service Charge:	\$12.50 per delivery point per month
Plus a Charge Per 100 Cubic Feet:	
Distribution Cost Component	\$ 0.22396
Gas Supply Cost Component	\$ <u>0.53858</u>
Total Gas Charge Per 100 Cubic Feet	\$ <u>0.76254</u>

The "Gas Supply Cost Component" as shown above is the cost per 100 cubic feet determined in accordance with the Gas Supply Clause set forth on Sheet No. 85 of this Tariff. The Performance-Based Ratemaking Mechanism, set forth on Sheet No. 87, is included as a component of the Gas Supply Clause as shown on Sheet No. 85 of this Tariff.

## ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Weather Normalization Adjustment	Sheet No. 88
Franchise Fee and Local Tax	Sheet No. 90
School Tax	Sheet No. 91
Home Energy Assistance Program	Sheet No. 92

## MINIMUM CHARGE

The Basic Service Charge shall be the minimum charge.

Date of Issue: October 29, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued by Authority of an Order of the KPSC in Case No. 2010-00387 dated October 26, 2010

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# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 7  
Canceling P.S.C. Gas No. 8, Original Sheet No. 7

Standard Rate	VFD
<b>Volunteer Fire Department Service</b>	
<b>APPLICABLE</b> In all territory served.	
<b>AVAILABILITY OF SERVICE</b> Available, in accordance with the provisions of KRS 278.172, to any volunteer fire department qualifying for aid under KRS 95A.262. Service under this rate schedule is at the option of the customer with the customer determining whether service will be provided under this schedule or any other schedule applicable to this load. If an additional separate point of delivery is requested by a volunteer fire department qualifying for aid under KRS 95A.262 to provide gas for use in standby electric generation ninety (90) days or more after the effective date of Rate DGGS, customer shall be served under Standard Rate DGGS.	
<b>DEFINITION</b> To be eligible for this rate a volunteer fire department is defined as; <ol style="list-style-type: none"><li>1) having at least 12 members and a chief,</li><li>2) having at least one fire fighting apparatus, and</li><li>3) half the members must be volunteers.</li></ol>	
<b>RATE</b>	
Basic Service Charge:	\$12.50 per delivery point per month
Plus a Charge Per 100 Cubic Feet:	
Distribution Cost Component	\$ 0.22396
Gas Supply Cost Component	\$ <u>0.53858</u>
Total Gas Charge Per 100 Cubic Feet	\$ <u>0.76254</u>
The "Gas Supply Cost Component" as shown above is the cost per 100 cubic feet determined in accordance with the Gas Supply Clause set forth on Sheet No. 85 of this Tariff. The Performance-Based Ratemaking Mechanism, set forth on Sheet No. 87, is included as a component of the Gas Supply Clause as shown on Sheet No. 85 of this Tariff.	
<b>ADJUSTMENT CLAUSES</b> The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:	
Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Weather Normalization Adjustment	Sheet No. 88
Franchise Fee and Local Tax	Sheet No. 90
School Tax	Sheet No. 91
<b>MINIMUM CHARGE</b> The Basic Service Charge shall be the minimum charge.	
<b>DUE DATE OF BILL</b> Customer's payment will be due within twelve (12) calendar days from the date of the bill.	
<b>LATE PAYMENT CHARGE</b> If full payment is not received within three (3) calendar days from the due date of the bill, a 5% late payment charge will be assessed on the current month's charges.	
<b>TERMS AND CONDITIONS</b> Service will be furnished under Company's Terms and Conditions applicable hereto.	

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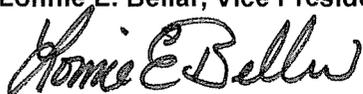
# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 10  
Canceling P.S.C. Gas No. 8, Original Sheet No. 10

Standard Rate	CGS
<b>Firm Commercial Gas Service</b>	
<b>APPLICABLE</b> In all territory served.	
<b>AVAILABILITY OF SERVICE</b> Applicable to firm natural gas sales service to customers engaged in commercial activities such as apartment buildings, rooming and boarding dwellings, residential hotels, multi-family row housing, duplexes, other situations where gas is supplied to consumers in two or more dwelling units designed for the primary purposes of residences, and other commercial activities when supplied at a single point of delivery and where distribution mains are adjacent to the premises to be served.  Combination commercial and residential accounts shall be considered commercial if usage for commercial purposes is half or more than half of the total service over the course of a year.  The term "commercial" customers shall include customers using gas in activities related to warehousing, distributing, or selling commodities, providing professional services, wholesale and retail stores, offices, office buildings, hotels, retail bakeries, hospitals, schools, churches, religious or charitable institutions, governmental agencies, other institutions or the like (including local, state, and federal governmental agencies) and for uses other than those involved in manufacturing. Applications related to the use of gas in standby or other electric generation in commercial applications shall not be served under this rate schedule unless such facilities were installed and operating under this Standard Rate CGS before ninety (90) days after the effective date of Rate DGGS.  This schedule is also applicable to natural gas service for street lighting to such entities as certificated homeowners associations, businesses, and local, state, and federal governmental agencies.	
<b>RATE</b>	
Basic Service Charge:	
If all of the customer's meters have a capacity < 5000 cf/hr:	\$ 30.00 per delivery point per month
If any of the customer's meters have a capacity ≥ 5000 cf/hr:	\$170.00 per delivery point per month
Plus a Charge Per 100 Cubic Feet:	
Distribution Cost Component	\$ 0.18722
Gas Supply Cost Component	<u>0.53858</u>
Total Charge Per 100 Cubic Feet	\$ 0.72580
The "Gas Supply Cost Component" as shown above is the cost per 100 cubic feet determined in accordance with the Gas Supply Clause set forth on Sheet No. 85 of this Tariff. The Performance-Based Ratemaking Mechanism, set forth on Sheet No. 87, is included as a component of the Gas Supply Clause as shown on Sheet No. 85 of this Tariff.	

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# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 15  
Canceling P.S.C. Gas No. 8, Original Sheet No. 15

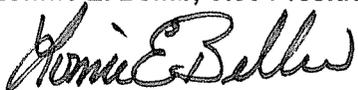
Standard Rate	IGS
<b>Firm Industrial Gas Service</b>	
<b>APPLICABLE</b> In all territory served.	
<b>AVAILABILITY OF SERVICE</b> Applicable to firm natural gas sales service to customers engaged in industrial activities that involve manufacturing or other activities that process, create or change raw or unfinished materials into another form or product when supplied at a single point of delivery and where distribution mains are adjacent to the premises to be served.  Combination industrial and commercial accounts shall be considered industrial if usage for industrial purposes is half or more than half of the total service over the course of a year.  The term "industrial" customers shall include customers involved in activities using gas <i>primarily</i> in a process or processes which either involve the extraction of raw materials from the earth, or a change of raw or unfinished materials into another form or product through the application of heat or heat treating, steam agitation, evaporation, baking, extraction, drying, distilling, asphalt production, and for other similar uses. Applications related to the use of gas in standby or other electric generation in industrial applications shall not be served under this rate schedule unless such facilities were installed and operating under this Standard Rate IGS before ninety (90) days after the effective date of Rate DGGS.	
<b>RATE</b>	
Basic Service Charge:	
If all of the customer's meters have a capacity < 5000 cf/hr:	\$ 30.00 per delivery point per month
If any of the customer's meters have a capacity ≥ 5000 cf/hr:	\$170.00 per delivery point per month
Plus a Charge Per 100 Cubic Feet:	
Distribution Cost Component	\$ 0.19022
Gas Supply Cost Component	\$ 0.53858
Total Charge Per 100 Cubic Feet	\$ 0.72880
The "Gas Supply Cost Component" as shown above is the cost per 100 cubic feet determined in accordance with the Gas Supply Clause set forth on Sheet No. 85 of this Tariff. The Performance-Based Ratemaking Mechanism, set forth on Sheet No. 87, is included as a component of the Gas Supply Clause as shown on Sheet No. 85 of this Tariff.	
<u>Off-Peak Pricing Provision:</u> The "Distribution Cost Component" applicable to monthly usage in excess of 100,000 cubic feet shall be reduced by \$0.05 per 100 cubic feet during the seven off-peak billing periods of April through October. The first 100,000 cubic feet per month during such period shall be billed at the rate set forth above.	

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# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 20.1  
Canceling P.S.C. Gas No. 8, Original Sheet No. 20.1

## STANDARD RATE SCHEDULE

## AAGS

### As-Available Gas Service

#### RATE

Basic Service Charge:  
\$275.00 per delivery point per month

Plus a Charge Per Mcf	
Distribution Cost Component	\$ 0.5252
Gas Supply Cost Component	<u>\$ 5.3858</u>
Total Charge Per Mcf	\$ 5.9110

The "Gas Supply Cost Component" as shown above is the cost per Mcf determined in accordance with the Gas Supply Clause set forth on Sheet Nos. 85 of this Tariff. The Performance-Based Ratemaking Mechanism, set forth on Sheet Nos. 87, is included as a component of the Gas Supply Clause as shown on Sheet No. 85 of this Tariff.

#### ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Franchise Fee and Local Tax	Sheet No. 90
School Tax	Sheet No. 91

#### PENALTY FOR FAILURE TO INTERRUPT

Company shall have the right to interrupt sales service under this rate schedule upon eighteen (18) hours' prior notice. Provision of oral notice by telephone to Customer shall be deemed proper notice of interruption of service under this rate schedule.

In addition to the charges set forth above, if the Customer fails to discontinue the consumption of natural gas at its facility at the conclusion of the eighteen- (18-) hour notice period, Company may charge the Customer the following penalty for each Mcf used during the period of interruption in addition to any other remedy available to Company, including, but not limited to, immediate termination of service under this rate schedule, irrespective of the provisions set forth on "Contract Term", and immediate transfer by Company to either Rate CGS or Rate IGS, as applicable.

Customer shall be charged a per Mcf penalty charge equal to \$15.00 plus the mid-point price posted in "Gas Daily" for Dominion--South Point on the day to which such interruption of service is applicable, plus any other charges under this rate schedule for such unauthorized usage by Customer that occurs following the conclusion of the eighteen- (18-) hour notice of interruption by Company to Customer.

If Customer is delivering quantities of gas to Company pursuant to Rate TS during such period of interruption, the charge described in the immediately preceding paragraph shall be applicable only to those quantities used by customer in excess of those being delivered by Customer to Company.

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# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 30.3  
Canceling P.S.C. Gas No. 8, Original Sheet No. 30.3

Standard Rate	FT
<b>Firm Transportation Service (Non-Standby)</b>	
Daily Demand Charge:	\$0.1848 per Mcf
Daily Storage Charge:	<u>\$0.1833</u>
Utilization Charge for Daily Imbalances:	\$0.3681 per Mcf
<p>Note: The Daily Demand Charge may change with each filing of the GSCC.</p>	
<p>These charges are in addition to any other charges set forth herein. The Utilization Charge for Daily Imbalances will not be applied to daily imbalances which do not exceed <math>\pm 10\%</math> of the delivered volume. Company shall not have an obligation to provide balancing service for any volumes of gas hereunder.</p>	
<b>OPERATIONAL FLOW ORDERS</b>	
<p>Company shall have the right to issue an Operational Flow Order ("OFO") which will require actions by Customer to alleviate conditions that, in the sole judgment of Company, jeopardize the operational integrity of Company's system required to maintain system reliability. Customer shall be responsible for complying with the directives contained in the OFO.</p>	
<p>Upon issuance of an OFO, Company will direct Customer to comply with one of the following conditions: (a) Customer must take delivery of an amount of natural gas from Company that is no more than the daily amount being delivered by the Pipeline Transporter to Company for Customer; or (b) Customer must take delivery of an amount of natural gas from Company that is no less than the daily amount being delivered by the Pipeline Transporter to Company for Customer. Provision of oral notice by telephone to Customer shall be deemed as proper notice of an OFO. Customer shall respond to an OFO by either adjusting its deliveries to Company's system or its consumption at its facility.</p>	
<p>All volumes taken by Customer in excess of volumes delivered by Pipeline Transporter to Company for Customer in violation of the above "condition (a)" OFO shall constitute an unauthorized receipt by Customer from Company. All volumes taken by Customer less than volumes delivered by Pipeline Transporter to Company for Customer in violation of "condition (b)" OFO shall constitute an unauthorized delivery by Customer to Company. Customer shall be charged a per Mcf charge equal to \$15.00 plus the mid-point price posted in "Gas Daily" for Dominion South Point on the day for which the OFO was violated, plus any other charges under this rate schedule for such unauthorized receipts or deliveries that occur twenty-four (24) hours after notice of the OFO is provided to the Customer or that fall outside the <math>\pm 10</math> percent imbalance tolerance regardless of the notice.</p>	
<p>Company will not be required to provide service under this rate schedule for any Customer that does not comply with the terms or conditions of an OFO. Payment of charges hereunder shall not be considered an exclusive remedy for failure to comply with the OFO, nor shall the payment of such charges be considered a substitute for any other remedy available to Company.</p>	

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# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 35.1  
 Canceling P.S.C. Gas No. 8, Original Sheet No. 35.1

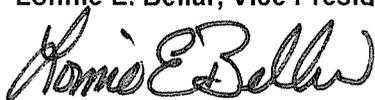
Standard Rate	DGGS				
Distributed Generation Gas Service					
Demand Charge per 100 cubic feet of Monthly Billing Demand:	\$1.0110				
Plus a Charge Per 100 Cubic Feet:					
Distribution Cost Component	\$0.02744				
Gas Supply Cost Component	<u>0.53858</u>				
Total Charge Per 100 Cubic Feet	\$0.56602				
<p>The "Gas Supply Cost Component" as shown above is the cost per 100 cubic feet determined in accordance with the Gas Supply Clause set forth on Sheet No. 85 of this Tariff. The Performance-Based Ratemaking Mechanism, set forth on Sheet No. 87, is included as a component of the Gas Supply Clause as shown on Sheet No. 85 of this Tariff.</p> <p>The total monthly minimum bill shall be the sum of the minimum monthly Demand Charge and the Monthly Basic Service Charge.</p> <p>In no case shall Company be obligated to deliver greater volumes hereunder than those specified in the written contract between Customer and Company. Payment of any and all charges hereunder shall not be considered an exclusive remedy for takes in excess of the maximum daily quantity ("MDQ"), nor shall the payment of such charges be considered a substitute for any other remedy (including, but not limited to, physical discontinuance or suspension of service hereunder) available to Company.</p>					
<p><b>ADJUSTMENT CLAUSES</b></p> <p>The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Franchise Fee and Local Tax</td> <td style="text-align: right;">Sheet No. 90</td> </tr> <tr> <td>School Tax</td> <td style="text-align: right;">Sheet No. 91</td> </tr> </table>		Franchise Fee and Local Tax	Sheet No. 90	School Tax	Sheet No. 91
Franchise Fee and Local Tax	Sheet No. 90				
School Tax	Sheet No. 91				
<p><b>DUE DATE OF BILL</b></p> <p>Customer's payment will be due within twelve (12) calendar days from the date of the bill.</p>					
<p><b>LATE PAYMENT CHARGE</b></p> <p>If full payment is not received within three (3) calendar days from the due date of the bill, a 1% late payment charge will be assessed on the current month's charges.</p>					

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# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 50  
 Canceling P.S.C. Gas No. 8, Original Sheet No. 50

Standard Rate Rider

TS

## Gas Transportation Service/Standby

### APPLICABLE

In all territory served.

### AVAILABILITY OF SERVICE

Available to commercial and industrial customers served under Rate CGS and Rate IGS who consume either (a) an average of at least 50 Mcf each day during the billing cycle at each individual Delivery Point, or (b) 50,000 Mcf annually at each individual Delivery Point. Also available to customers served under Rate AAGS who consume at least 50 Mcf each day during the billing cycle at each individual Delivery Point. Customer shall have purchased natural gas elsewhere, and request Company to utilize its system to transport, by displacement, such customer-owned gas to place of utilization. Any transportation service hereunder will be conditioned on Company being able to retain or secure adequate standby quantities of natural gas. In addition, transportation service hereunder will be subject to the terms and conditions herein set forth and to the availability of adequate capacity on Company's system to perform such service without detriment to its other customers.

### RATE

In addition to any and all charges billed directly to Company by other parties related to the transportation of customer-owned gas, the following charges shall apply:

Administrative Charge: \$153.00 per Delivery Point per month

	CGS	IGS	AAGS
Distribution Charge Per Mcf	\$1.8722	\$1.9022	\$0.5252
Pipeline Supplier's Demand Component	0.8775	0.8775	0.8775
Total	\$2.7497	\$2.7797	\$1.4027

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The "**Distribution Charge**" applicable to Rate CGS and IGS monthly quantities in excess of 100 Mcf shall be reduced by \$0.50 per Mcf during the seven off-peak billing periods of April through October. The first 100 Mcf per month during such period shall be billed at the rate set forth above.

**Pipeline Supplier's Demand Component:** Average demand cost per Mcf of all gas, including transported gas, delivered to Company by its pipeline supplier as determined from Company's Gas Supply Clause.

### ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Demand Side Management Cost Recovery Mechanism	Sheet No. 86
Franchise Fee and Local Tax	Sheet No. 90
School Tax	Sheet No. 91

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# Louisville Gas and Electric Company

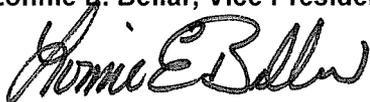
P.S.C. Gas No. 8, First Revision of Original Sheet No. 85  
 Canceling P.S.C. Gas No. 8, Original Sheet No. 85

Adjustment Clause	GSC	
	Gas Supply Clause	
<b>APPLICABLE TO</b>		
All gas sold.		
<b>GAS SUPPLY COST COMPONENT (GSCC)</b>		
Gas Supply Cost	\$0.54901	R
Gas Cost Actual Adjustment (GCAA)	(0.01643)	I
Gas Cost Balance Adjustment (GCBA)	0.00157	I
Refund Factors (RF) continuing for twelve months from the effective date of each or until Company has discharged its refund obligation thereunder:		
Refund Factor Effective February 1, 2010	(0.00064)	
Refund Factor Effective August 1, 2010	(0.00021)	
Refund Factor Effective November 1, 2010	<u>(0.00021)</u>	T
Total Refund Factor	(0.00106)	R
Performance-Based Rate Recovery Component (PBRRC)	<u>0.00549</u>	
Total Gas Supply Cost Component Per 100 Cubic Feet (GSCC)	\$0.53858	R

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Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued by Authority of an Order of the KPSC in Case No. 2010-00387 dated October 26, 2010

# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 87.1  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.1

Adjustment Clause	PBR
<b>Experimental Performance Based Rate Mechanism</b>	
Where:	
<b>TABMGCC</b> represents the Total Annual Benchmark Gas Commodity Costs and is the annual sum of the monthly Benchmark Gas Commodity Costs ( <b>BMGCC</b> ) of gas purchased for system supply; and	
<b>HRF</b> represents Historical Reservation Fees and is an annual dollar amount equal to Company's average annual supply reservation fees based on the 24-month period ended October 31 immediately preceding the PBR period.	
<b>BMGCC</b> represents Benchmark Gas Commodity Costs and shall be calculated on a monthly basis and accumulated for the PBR period. <b>BMGCC</b> shall be calculated as follows:	
<b>BMGCC = Sum {[SZFQE%i x (APV - PEFDCQ)x SAIi]} + [PEFDCQ x DAI]</b>	
Where:	
<b>SZFQE%</b> is the Supply Zone Firm Quantity Entitlement Percentage derived from Company's firm entitlements by pipeline and by zone for which indices are posted. The percentage represents the pro-rata portion of Company's firm lateral and mainline receipt point quantity entitlements by zone for each transportation contract by pipeline.	
<b>i</b> represents each supply area.	
<b>APV</b> is the actual purchased volumes of natural gas for system supply for the month. The APV shall include purchases necessary to cover retention volumes required by the pipeline as fuel.	
<b>PEFDCQ</b> are the Purchases In Excess of Firm Daily Contract Quantities delivered to Company's city gate. Firm Daily Contract Quantities are the maximum daily contract quantities which Company can deliver to its city gate under its various firm transportation agreements and arrangements.	
<b>SAI</b> is the Supply Area Index factor to be established for each supply area in which Company has firm transportation entitlements used to transport its natural gas purchases and for which price postings are available. The five supply areas are TGT-SL (Texas Gas Transmission - Zone SL), TGT-1 (Texas Gas Transmission - Zone 1), TGT-4 (Texas Gas Transmission - Zone 4), TGPL-0 (Tennessee Gas Pipeline - Zone 0), and TGPL-1 (Tennessee Gas Pipeline - Zone 1).	
The monthly SAI for TGT-SL, TGT-1, TGT-4, TGPL-0 and TGPL-1 shall be calculated using the following formula:	
<b>SAI = [I(1) + I(2) + I(3)] / 3</b>	
<b>DAI</b> is the Delivery Area Index to be established for purchases made by Company when Company has fully utilized its pipeline quantity entitlements on a daily basis and which are for delivery to Company's city gate from either Texas Gas Transmission's Zone 4 or Tennessee Gas Pipeline's Zone 2.	

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Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

# Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 87.2  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.2

**Adjustment Clause**

**PBR**

**Experimental Performance Based Rate Mechanism**

The monthly DAI for TGT-4 and TGPL-2 shall be calculated using the following formula:

$$DAI = [I(1) + I(2) + I(3)] / 3$$

Where:

I represents each index reflective of both supply area prices and price changes throughout the month in these various supply areas.

The indices for each supply zone are as follows:

**SAI (TGT-SL)**

I(1) is the average of weekly *Natural Gas Week* postings for Gulf Coast Onshore Louisiana as Delivered to Pipeline.

I(2) is the average of the daily high and low *Gas Daily* postings for Louisiana - Onshore South Texas Gas Zone SL averaged for the month.

I(3) is the *Inside FERC's Gas Market Report* first-of-the-month posting for Texas Gas Zone SL.

**SAI (TGT-1)**

I(1) is the average of weekly *Natural Gas Week* postings for North Louisiana as Delivered to Pipeline.

I(2) is the average of the daily high and low *Gas Daily* postings for East Texas - North Louisiana Area - Texas Gas Zone 1 averaged for the month.

I(3) is the *Inside FERC's Gas Market Report* first-of-the-month posting for Texas Gas Zone1.

**SAI (TGT-4)**

I(1) is the average of weekly *Natural Gas Week* postings for Spot Prices on Interstate Pipeline Systems for Lebanon Hub.

I(2) is the average of the daily high and low *Gas Daily* postings for Appalachia – Lebanon Hub averaged for the month.

I(3) is the *Inside FERC's Gas Market Report* first-of-the-month posting for Northeast – Lebanon Hub.

Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

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# Louisville Gas and Electric Company

P.S. C. Gas No. 8, First Revision of Original Sheet No. 87.3  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.3

Adjustment Clause	PBR
<b>Experimental Performance Based Rate Mechanism</b>	
<b>SAI (TGPL-0)</b>	
I(1) is the average of weekly <i>Natural Gas Week</i> postings for Gulf Coast Onshore Texas as Delivered to Pipeline.	
I(2) is the average of the daily high and low <i>Gas Daily</i> postings for South - Corpus Christi-Tennessee averaged for the month.	
I(3) is the <i>Inside FERC's - Gas Market Report</i> first-of-the-month posting for Tennessee Zone 0.	
<b>SAI (TGPL-1)</b>	
I(1) is the average of weekly <i>Natural Gas Week</i> postings for Gulf Coast Onshore Louisiana as Delivered to Pipeline.	
I(2) is the average of the daily high and low <i>Gas Daily</i> postings for Louisiana - Onshore South - Tennessee 500 Leg averaged for the month.	
I(3) is the <i>Inside FERC's - Gas Market Report</i> first-of-the-month posting for Tennessee 500 leg.	
<b>DAI (TGT-4) and (TGPL-2)</b>	
I(1) is the average of weekly <i>Natural Gas Week</i> postings for Spot Prices on Interstate Pipeline Systems for Dominion - South.	
I(2) is the average of the daily high and low <i>Gas Daily</i> postings for the Daily Price Survey for Appalachia - Dominion South Point.	
I(3) is the <i>Inside FERC's - Gas Market Report</i> first-of-the-month posting for Prices of Spot Gas Delivered to Pipeline for Dominion Transmission Inc. - Appalachia.	
<b>AGC</b> represents Company's total annual Actual Gas Costs of natural gas purchased for system supply and is equal to the total monthly actual gas commodity costs and supply reservation fees plus the gains and/or losses from the use of financial hedging instruments and the financial transaction costs associated with such instruments paid by Company to its suppliers accumulated for the PBR period. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses.	

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Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

# Louisville Gas and Electric Company

P.S. C. Gas No. 8, First Revision of Original Sheet No. 87.4  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.4

Adjustment Clause	PBR
<b>Experimental Performance Based Rate Mechanism</b>	
<p>To the extent that AGC exceeds BGC for the PBR period, then the GAIF Shared Expenses shall be computed as follows:</p>	
<b>Shared Expenses = AGC - BGC</b>	
<p>To the extent that AGC is less than BGC for the PBR period, then the GAIF Shared Savings shall be computed as follows:</p>	
<b>Shared Savings = BGC – AGC</b>	
<b><u>TIF</u></b>	
<p><b>TIF</b> = Transportation Index Factor. The Transportation Index Factor shall be calculated by comparing the Total Annual Benchmark Monthly Gas Transportation Costs (<b>TABMGTC</b>) of natural gas transportation services during the PBR period, to the Total Annual Actual Gas Transportation Costs (<b>TAAGTC</b>) applicable to the same period to determine if any Shared Expenses or Shared Savings exist.</p>	
<p>The Total Annual Benchmark Monthly Gas Transportation Costs (<b>TABMGTC</b>) are calculated as follows:</p>	
<b>TABMGTC = Annual Sum of Monthly BMGTC</b>	
<p>Where:</p>	
<p><b>BMGTC</b> is the Benchmark Monthly Gas Transportation Costs which include both demand and volumetric costs associated with natural gas pipeline transportation services. The BMGTC shall be accumulated for the PBR period and shall be calculated as follows:</p>	
<b>BMGTC = Sum [BM(TGT) + BM(TGPL) + BM(PPL)]</b>	
<p>Where:</p>	
<p><b>BM(TGT)</b> is the benchmark associated with Texas Gas Transmission Corporation.</p>	
<p><b>BM(TGPL)</b> is the benchmark associated with Tennessee Gas Pipeline Company.</p>	

Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

# Louisville Gas and Electric Company

P.S. C. Gas No. 8, First Revision of Original Sheet No. 87.5  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.5

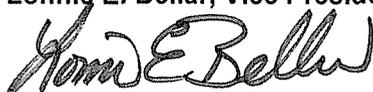
Adjustment Clause	PBR
<b>Experimental Performance Based Rate Mechanism</b>	
<p><b>BM(PPL)</b> is the benchmark associated with a proxy pipeline. The appropriate benchmark, which will be determined at the time of purchase, will be used to benchmark purchases of transportation capacity from non-traditional sources.</p>	
<p>The benchmark associated with each pipeline shall be calculated as follows:</p>	
<p><b>BM(TGT)</b> = (TPDR x DQ) + (TPCR x AV) + S&amp;DB</p>	
<p><b>BM(TGPL)</b> = (TPDR x DQ) + (TPCR x AV) + S&amp;DB</p>	
<p><b>BM(PPL)</b> = (TPDR x DQ) + (TPCR x AV) + S&amp;DB</p>	
<p>Where:</p>	
<p><b>TPDR</b> is the applicable Tariffed Pipeline Demand Rate.</p>	
<p><b>DQ</b> is the Demand Quantities contracted for by Company from the applicable transportation provider.</p>	
<p><b>TPCR</b> is the applicable Tariffed Pipeline Commodity Rate.</p>	
<p><b>AV</b> is the Actual Volumes delivered at Company's city-gate by the applicable transportation provider for the month.</p>	
<p><b>S&amp;DB</b> represents Surcharges, Direct Bills and other applicable amounts approved by the Federal Energy Regulatory Commission (FERC). Such amounts are limited to FERC-approved charges such as surcharges, direct bills, cashouts, take-or-pay amounts, Gas Supply Realignment and other Order 636 transition costs.</p>	
<p>The Total Annual Actual Gas Transportation Costs (<b>TAAGTC</b>) paid by Company for the PBR period shall include both demand and volumetric costs associated with natural gas pipeline transportation services as well as all applicable FERC-approved surcharges, direct bills and cashouts included in S&amp;DB, plus the gains and/or losses from the use of financial hedging instruments and the financial transaction costs associated with such instruments. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses.</p>	
<p>To the extent that TAAGTC exceeds TABMGTC for the PBR period, then the TIF Shared Expenses shall be computed as follows:</p>	
<p><b>Shared Expenses = TAAGTC – TABMGTC</b></p>	
<p>To the extent that TAAGTC is less than TABMGTC for the PBR period, then the TIF Shared Savings shall be computed as follows:</p>	

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Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

# Louisville Gas and Electric Company

P.S. C. Gas No. 8, First Revision of Original Sheet No. 87.6  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.6

Adjustment Clause	PBR
<b>Experimental Performance Based Rate Mechanism</b>	
<b>Shared Savings = TABMGTC - TAAGTC</b>	
<p>Should one of Company's pipeline transporters file a rate change effective during any PBR period and bill such proposed rates subject to refund, the period over which the benchmark comparison is made for the relevant transportation costs will be extended for one or more 12-month periods, until the FERC has approved final settled rates, which will be used as the appropriate benchmark. Company will not share in any of the savings or expenses related to the affected pipeline until final settled rates are approved.</p>	
<b><u>OSSIF</u></b>	
<p><b>OSSIF</b> = Off-System Sales Index Factor. The Off-System Sales Index Factor shall be equal to the Net Revenue from Off-System Sales (<b>NR</b>).</p>	
<p>Net Revenue is calculated as follows:</p>	
<b>NR = OSREV - OOPC</b>	
<p>Where:</p>	
<p><b>OSREV</b> is the total revenue associated with off-system sales and storage service transactions.</p>	
<p><b>OOPC</b> is the out-of-pocket costs associated with off-system sales and storage service transactions, and shall be determined as follows:</p>	
<b>OOPC = OOPC(GC) + OOPC(TC) + OOPC(SC) + OOPC(UGSC) + Other Costs</b>	
<p>Where:</p>	
<p><b>OOPC(GC)</b> is the Out-of-Pocket Gas Costs associated with off-system sales transactions. For off-system sales utilizing Company's firm supply contracts, the OOPC(GC) shall be the incremental cost to purchase the gas available under Company's firm supply contracts. For off-system sales not using Company's firm supply contracts, the OOPC(GC) shall be the incremental costs to purchase the gas from other entities.</p>	
<p><b>OOPC(TC)</b> is the Out-of-Pocket Transportation Costs associated with off-system sales transactions. For off-system sales utilizing Company's firm transportation agreements, the OOPC(TC) shall be the incremental cost to use the transportation available under Company's firm supply contracts. For off-system sales not using Company's firm transportation agreements, the OOPC(TC) shall be the incremental costs to purchase the transportation from other entities.</p>	

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Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

# Louisville Gas and Electric Company

P.S. C. Gas No. 8, First Revision of Original Sheet No. 87.7  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.7

Adjustment Clause

PBR

## Experimental Performance Based Rate Mechanism

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**OOPC(SC)** is the Out-of-Pocket Storage Costs associated with off-system sales of storage. If this is gas in Company's own storage it shall be priced at the average price of the gas in Company's storage during the month of the sale. If this is gas from the storage component of Texas Gas's No-Notice Service, this gas shall be priced at the replacement cost.

**OOPC(UGSC)** is the Out-of-Pocket Underground Storage Costs associated with off-system sales of storage services. For the off-systems sales of storage services utilizing Company's on-system storage, the OOPC(UGSC) shall include incremental storage losses, odorization, and other fuel-related costs such as purification, dehydration, and compression. Such costs shall exclude labor-related expenses.

**Other Costs** represent all other incremental costs and include, but are not limited to, costs such as applicable sales taxes and excise fees plus the gains and/or losses from the use of financial hedging instruments and the transaction costs associated with such instruments. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses.

### ACSP

**ACSP** = Applicable Company Sharing Percentage. The ACSP shall be determined based on the PTAGSC.

Where:

**PTAGSC** = Percentage of Total Actual Gas Supply Costs. The PTAGSC shall be the TPBRR stated as a Percentage of Total Actual Gas Supply Costs and shall be calculated as follows:

$$\text{PTAGSC} = \frac{\text{TPBRR}}{\text{TAGSC}}$$

Where:

**TAGSC** = Total Actual Gas Supply Costs. The TAGSC shall be calculated as follows:

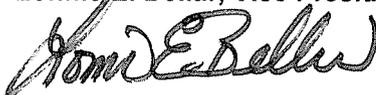
$$\text{TAGSC} = \text{AGC} + \text{TAAGTC}$$

If the absolute value of the PTAGSC is less than or equal to 4.5%, then the ACSP of 25% shall be applied to TPBRR to determine CSPBR. If the absolute value of the PTAGSC is greater than 4.5%, then the ACSP of 25% shall be applied to the amount of TPBRR that is equal to 4.5% of TAGSC to determine a portion of CSPBR, and the ACSP of 50% shall be applied to the amount of TPBRR that is in excess of 4.5% of TAGSC to determine a portion of CSPBR. These two portions are added together to produce the total CSPBR.

Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

# Louisville Gas and Electric Company

P.S. C. Gas No. 8, First Revision of Original Sheet No. 87.8  
Canceling P.S.C. Gas No. 8, Original Sheet No. 87.8

Adjustment Clause

PBR

## Experimental Performance Based Rate Mechanism

### BA

**BA** = Balance Adjustment. The BA is used to reconcile the difference between the amount of revenues billed or credited through the CSPBR and previous application of the BA and revenues which should have been billed or credited, as follows:

- 1) For the CSPBR, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the CSPBR and the actual amount used to establish the CSPBR for the period.
- 2) For the BA, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the BA and the actual amount used to establish the BA for the period.

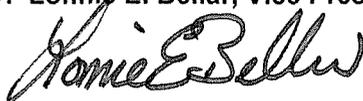
### Review

Within 60 days of the end of the fourth year of the five-year extension, Company will file an assessment and review of the PBR mechanism for the first four years of the five-year extension period. In that report and assessment, Company will make any recommended modifications to the PBR mechanism.

Date of Issue: May 4, 2010

Date Effective: November 1, 2010

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky



Issued By Authority of an Order of the KPSC in Case No. 2009-00550 dated April 30, 2010

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